

CHAPTER 197

THE BANK OF TANZANIA ACT

[PRINCIPAL LEGISLATION]

ARRANGEMENT OF SECTIONS

Section

Title

PART I

PRELIMINARY PROVISIONS

1. Short title.
2. Application.
3. Interpretation.

PART II

THE CENTRAL BANK

(a) Establishment and Functions of the Bank

4. Establishment of Bank.
5. Functions and objectives.
6. Monetary policy statements.
7. Consultation on monetary policy.

(b) Management of the Bank

8. Board of Directors.
9. Composition of the Board.
10. Disqualification for membership and removal from the Board.
11. Meetings of the Board.
12. Standing Committee.
13. Other committees of the Board.
14. The Governor and Deputy Governor.
15. Remuneration of the Governor, Deputy Governor and members of the Board.
16. Other officers and staff of the Bank.
17. Secrecy.

(c) Capital, Reserve and Accounts of the Bank

18. Authorised capital.
19. General Reserve Fund and allocation of profits.
20. Losses charged on Consolidated Fund.
21. Financial year, accounts and audit.
22. Reports.

(d) Supplementary

23. Offices and branches.

- 24. Agents and correspondents.
- 25. Exemption from certain taxes.
- 26. Companies Act and Companies Decree not to apply.
- 27. By-laws.

PART III

CURRENCY

(a) Currency and its Issue

- 28. Unit of currency.
- 29. Sole right to issue bank notes and coins.
- 30. Denominations and form of notes and coins.
- 31. Legal tender.
- 32. Lost and damaged currency.
- 33. Tampering with coinage.
- 34. Destruction of coins and notes.

PART IV

OTHER OPERATIONS OF THE BANK

(a) The Bank as Banker to the Governments and Other Public Authorities

- 35. Banker to the Governments.
- 36. Functions as banker and fiscal agent.

- 37. Direct advances and other short term credit to the Governments, etc.
- 38. Operation in Government securities, etc.
- 39. Meaning of annual budgeted revenue.
- 40. Prohibition of other credit to Government, etc.

(b) Financial Relations with Other Banks

- 41. Banker to banks and financial institutions.
- 42. Rediscounts, etc.
- 43. Loans and advances.
- 44. Bank not to extend credit.

(c) Control of Banking

- 45. Reserve requirements in respect of banks.
- 46. Liquid assets ratio.
- 47. Information to be furnished to the Bank.
- 48. Power of the Bank over banks and financial institutions.
- 49. Penalty.

(d) External Reserves, Gold and Foreign Exchange

- 50. Exchange rate policy.
- 51. Reserve of external assets.

- 52. Dealing in gold and foreign currencies.
- 53. Exchange control.
- 54. Payments agreements.
- 55. Fiscal and depository for Government's transactions with international financial institutions.

(e) Miscellaneous Powers and Functions

- 56. Relations with foreign banks.
- 57. Relations with corporations.
- 58. Interest on deposit balances and blocked accounts.
- 59. Advice to Governments.

(f) Prohibited Operations

- 60. Prohibited operations.

PART V

GENERAL PROVISIONS

(a) General

- 61. Limitation on external holdings.
- 62. Prohibited banking names.
- 63. Banks, etc., deemed to be public service for certain purposes.

- 64. Commission for Human Rights and Good Governance to have jurisdiction.
- 65. Immunity.
- 66. Conflicts.

(b) Repeals and Savings

- 67. [Repeal of Act No. 12 of 1966.]
- 68. Savings.

CHAPTER 197

THE BANK OF TANZANIA ACT

An Act to provide for the establishment, constitution and functions of the Bank of Tanzania as a central bank, to provide for the currency of Tanzania, to provide that the Bank shall be the banker to the Governments of the United Republic of Tanzania and the Revolutionary Government of Zanzibar and shall have certain powers in relation to other banks and financial institutions and to provide for related purposes.

[9th October, 1995 *]

[G.N. No. 576 of 1995]

Act No. 1 of 1995

PART I

PRELIMINARY PROVISIONS (ss 1-3)

[PCh197s1]1. Short title

(1) This Act may be cited as the Bank of Tanzania Act.

(2) [Omitted.]

[PCh197s2]2. Application

This Act shall extend to Tanzania Zanzibar as well as to Mainland Tanzania.

[PCh197s3]3. Interpretation

In this Act, unless the context otherwise requires—

"the Bank" means the Bank of Tanzania established under section 4;

"bank" except when used in the expressions "central bank" and "foreign bank", means a financial institution authorised to receive money on current account subject to withdrawal by cheque;

"banking business" means—

(a) the business of receiving funds from the general public through the acceptance of money deposits payable upon demand or after a fixed period or after notice, or any similar operation through the frequent sale or placement of bonds, certificates, notices or other securities, and the use of such funds either in whole or in part for loans or investments for business;

(b) any other activity recognised as customary banking practice which a financial institution engaging in the activities described in paragraph (a) may be additionally authorised to do by the Bank;

"Director" means a member of the Board other than the Governor, the Deputy Governor, the Permanent Secretary to the Treasury of Tanzania or the Principal Secretary to the Treasury of Zanzibar;

"financial institution" means any person authorised by or under the Banking and Financial Institutions Act *, to engage in banking business not involving the receipt of money on current account subject to withdrawal by cheque;

"foreign exchange" means currencies and units of accounts other than the currency of the United Republic and claims in and to such currencies and units of accounts;

"Governments" refers to the Governments of the United Republic of Tanzania and the Revolutionary Government of Zanzibar;

"member" in relation to the Board means the Governor, the Deputy Governor, the Permanent Secretary to the Treasury of Tanzania, the Principal Secretary to the Treasury of Zanzibar or a Director;

"Minister" except where otherwise specified refers to the Minister responsible for financial matters of the United Republic of Tanzania;

"public authority" means—

- (a) the authority for any political subdivision of the United Republic, including any city, municipal, town or district council;
- (b) any common services authority for which Tanzania is a member with other countries;
- (c) any corporation, agency or enterprise specified for the purposes of this Act by the Bank.

PART II

THE CENTRAL BANK (ss 4-27)

(a) Establishment and Functions of the Bank (ss 4-7)

[PCh197s4]4. Establishment of Bank

There shall be established a corporation, to be known as the Bank of Tanzania, which shall—

- (a) have perpetual succession and a common seal;
- (b) in its corporate name be capable of suing and being sued; and
- (c) subject to the provisions of this Act, be capable of acquiring, holding and alienating any movable or immovable property.

[PCh197s5]5. Functions and objectives

(1) The principal functions of the Bank shall be to exercise the functions of a central bank, and, without prejudice to the generality of the foregoing, to formulate, implement and be responsible for monetary policy, to issue currency, to regulate and supervise banks and financial institutions and to manage gold and foreign exchange reserves of Tanzania.

(2) The Bank shall promote sound monetary, credit and banking conditions conducive to the development of the economy of Tanzania.

(3) The primary objective of the Bank shall be to formulate and implement monetary policy directed to the economic objective of maintaining price stability conducive to a balanced and sustainable growth of the national economy of Tanzania.

[PCh197s6]6. Monetary policy statements

(1) The Bank shall at intervals of not more than six months after the submission of each preceding statement, submit to the Minister a monetary policy statement for the next six months or for such other period as may be specified by the Minister.

(2) The Minister shall submit to the National Assembly not later than at its subsequent session the statement submitted in terms of the provisions of subsection (1).

(3) The Bank shall thereafter at intervals of not more than six months after the submission of the preceding report submit to the Minister progress reports on the implementation of monetary policy and reports on the outlook for the future, and the Minister shall in turn submit the said reports to the National Assembly at its subsequent session.

(4) The monetary policy statement to be submitted under this section shall—

(a) specify the policies and means by which the Bank intends to achieve the policy targets;

(b) state the reasons for adopting those policies and means;

(c) contain a statement of how the Bank proposes monetary policy might be formulated and implemented during the next twelve months;

(d) contain a review and assessment of the implementation by the Bank of monetary policy during the period to which the preceding policy statement relates.

[PCh197s7]7. Consultation on monetary policy

(1) There shall be regularly held consultations between the Governments and the Governor on monetary policy.

(2) In the event of fundamental and irreconcilable differences between the Minister and the Governor over monetary policy, the Minister shall by order published in the Gazette direct the Governor to formulate and implement monetary policy along the position of the Minister for a period not exceeding twelve months or any other period as shall be specified in the order.

(3) Except as provided under subsection (2) nothing in this section shall be so construed as to limit or affect the obligation of the Bank to carry out its primary objective.

(b) Management of the Bank (ss 8-17)

[PCh197s8]8. Board of Directors

There shall be a Board of Directors of the Bank and subject to this Act, the Board shall be responsible for determining the policy of the Bank, for the approval of its budget and for such other functions as are specifically conferred or imposed upon the Board by this or any other written law.

[PCh197s9]9. Composition of the Board

(1) The Board shall consist of—

- (a) the Governor, who shall be the Chairman;
- (b) the Deputy Governor, who shall be the Deputy Chairman;
- (c) the Permanent Secretary to the Treasury of the Government of the United Republic and the Principal Secretary to the Treasury of the Revolutionary Government of Zanzibar; and
- (d) six other directors appointed by the Minister.

(2) The Governor and the Deputy Governor shall be appointed by the President and each shall hold office, unless he sooner dies or resigns or vacates or is removed from his office for good cause or is disqualified, hold office for a period of five years and shall be eligible for re-appointment:

Provided that no Governor or Deputy Governor shall hold office for more than two terms.

(3) The Directors appointed by the Minister shall each hold office, unless he sooner dies or resigns or vacates or is removed from his office in accordance with section 10, for a term of three years, and shall be eligible for re-appointment.

(4) The Directors appointed by the Minister under paragraph (d) of subsection (1) shall be from amongst persons who are knowledgeable or experienced in economics, business and finance, banking, corporate law, accountancy, agricultural and industrial development and other disciplines relevant to the functions of the Bank.

(5) In appointing Directors of the Bank the Minister shall, without prejudice to the provisions of subsection (4), have regard to the need to ensure that the Governments are equitably represented on the Board.

(6) In considering the appointment or reappointment of a person to the office of Director of the Bank the Minister shall have regard, in relation to that office, to the likelihood of any conflict arising between the interests of the Bank and any interests which that person has or represents.

[PCh197s10]10. Disqualification for membership and removal from the Board

(1) No person shall be qualified to be appointed a member of the Board, or an alternate for a member, if he is—

(a) a member of the National Assembly or the House of Representatives, or a member of a local government authority;

(b) a person who is a civil servant within the meaning of this term in the Public Service Act *, other than the Permanent Secretary to the Treasury of the Government of the United Republic and the Principal Secretary to the Treasury of the Revolutionary Government of Zanzibar;

(c) a director, officer, employee, consultant, lawyer, agent or shareholder of a bank or a financial institution in respect of which the Bank may exercise a regulatory power, under Part IV.

(2) A member of the Board or his alternate shall vacate his office if—

(a) he acquires any attribute which, were he not a member, would disqualify him for appointment under subsection (1) of this section;

(b) he becomes bankrupt or suspends payment or compounds with his creditors;

(c) he is adjudged or otherwise declared to be of unsound mind; or

(d) he is convicted of a felony or any offence involving fraud or dishonesty; or

(e) he is absent, without the leave of the Board, from three consecutive meetings of the Board.

(1) The Board shall meet as often as may be required for the conduct of the business and affairs of the Bank, but not less frequently than once in every two months.

(2) Meetings of the Board shall be convened, and notice given in accordance with the By-laws of the Bank and, in addition, the Governor or in his absence, the Deputy Governor shall convene a meeting of the Board within a reasonable time of a requisition in that behalf by any member of the Board.

(3) The quorum at meetings of the Board shall be six members:

Provided that—

(a) there shall be no quorum unless either the Governor or the Deputy Governor is present at the meeting;

(b) where in the opinion of the Governor, or in his absence, the Deputy Governor, any matter or business is of an unusually urgent nature which cannot await the convening of a meeting consisting of such quorum, such opinion to be recorded in the minutes of the Board, the matter may be decided at a meeting of the Governor, or in his absence, the Deputy Governor, and the Permanent Secretary to the Treasury of the United Republic and which decision shall be as valid and binding on the Bank as if it were a decision of a meeting consisting of such quorum and every such decision shall be reported to the Board at its next regular meeting;

(c) A decision reached at a meeting convened under paragraph (b) of this section shall be reported to the Board at its next regular meeting.

(4) The Permanent Secretary to the Treasury of the United Republic and the Principal Secretary to the Treasury of Revolutionary Government of Zanzibar may appoint

in writing persons in the permanent service to be their representatives at any meeting of the Board; and such representatives shall, at any meeting for which they are appointed, have the powers of the Permanent Secretaries in their capacities as members of the Board.

(5) A Director who is interested in any matter involving the Bank, or in the exercise or proposed exercise by the Bank of a power, shall declare that interest at every meeting of the Board at which that matter or the exercise or proposed exercise of the power, is considered by the Board, and the Director shall not be entitled to attend and vote, or be counted in a quorum present, at a meeting at which the matter or the exercise or proposed exercise of the power in which the Director has interest is considered.

(6) The Chairman, or in his absence the Deputy Chairman, or except for matters related to formulation and implementation of monetary policy, the Permanent Secretary to the Treasury of the United Republic of Tanzania or his representative, may require that the decision on any question be postponed to a meeting of the Board to be held not less than seven days after the meeting at which the requirement is notified; and where such a requirement is made, the question shall be postponed, without vote, to the next such meeting unless the person making the requirement consents to its being decided earlier.

(7) Subject to the provisions of subsection (3), no act or proceeding by the Board shall be invalidated by reason of the existence of a vacancy among the members, and all acts done by a person in good faith as a member of the Board shall be valid notwithstanding that some defect in his appointment or qualifications be afterwards discovered.

(1) There shall be a Standing Committee of the Board composed of the Governor, who shall be the Chairman, or in his absence, the Deputy Governor, the Permanent Secretary to the Treasury of the United Republic, the Principal Secretary to the Treasury of the Revolutionary Government of Zanzibar or their representatives appointed by them in accordance with subsection (4) of section 11 and not more than two members of the Board appointed in that behalf by the Board.

(2) The Board may by resolution delegate to the Standing Committee upon such terms and conditions as the Board may determine, any of the functions of the Board under this Act, other than the power—

- (a) to approve the budget of the Bank under section 8;
- (b) to exercise the functions relating to allocation of profits under subsection (2) of section 19;
- (c) to make by-laws under section 27 of the Act.

(3) The Committee shall not have the power to delegate any of its functions.

(4) The Standing Committee shall exercise the function delegated to it under subsection (2) of this section during the intervals between the meetings of the Board, and shall exercise those functions in accordance with any directions given in that behalf by the Board.

(5) The Standing Committee shall meet as often as may be necessary for the performance of its functions, and shall promptly submit to the Board a report of its proceedings after each meeting.

(6) The quorum at meetings of the Standing Committee shall be three members one of whom shall be the Governor or in his absence the Deputy Governor.

(7) Subject to the provisions of this Act and to any directions given by the Board in that behalf, the Standing Committee may regulate its proceedings.

[PCh197s13]13. Other committees of the Board

(1) The Board may appoint such other committees of the Board as it may deem fit and the Board shall, subject to Board the provisions of this Act, specify the composition and functions of every committee appointed under this section and the terms and conditions upon which the committee shall exercise its functions.

(2) Every committee appointed under this section shall report to the Board on all the proceedings and actions of the committee, and the Board may reverse or vary any decision of the committee or may give such directions affecting any action of the committee as the Board may deem fit in the circumstances of each case.

(3) Subject to the provisions of this Act and to any directions given by the Board in that behalf, a committee appointed under this section may regulate its proceedings.

[PCh197s14]14. The Governor and Deputy Governor

(1) Subject to the provisions of this Act, the management of the Bank and the direction of its business and affairs shall be vested in the Governor and the Governor shall, in the exercise of those functions of management and direction, conform with the policy determined by the Board.

(2) The Governor shall have power to exercise and perform all the functions, powers and duties of the Bank, other than any function specifically conferred on the Board, and to authorise expenditure within the budget approved by the Board.

(3) The Governor shall be the principal representative of the Bank and shall, in such capacity, have authority—

(a) to represent the Bank in its relations with other institutions, including the Government;

(b) to represent the Bank either personally or by advocate or other counsel, in any legal proceedings to which the Bank is a party;

(c) to sign, solely or jointly with other persons, agreements concluded by the Bank, notes or securities issued by the Bank, reports, balance sheets and other financial statements, correspondence and other documents of the Bank;

(d) to delegate any authority provided for in this subsection including the power of delegation to any member of the Board or other officer of the Bank.

(4) The Deputy Governor shall—

(a) subject to the general supervision of the Governor, be responsible for the day-to-day management, business and affairs of the Bank;

(b) perform such other duties as may be imposed upon him from time to time by the Governor.

(5) The Deputy Governor shall have full power to act for the Governor in the absence of the Governor, and the fact that the Deputy Governor so designated exercises any powers or functions of the Governor shall be conclusive proof of the authority to do

so, and no person shall be concerned to inquire whether the occasion for doing so has arisen or has ceased.

(6) The exercise by the Deputy Governor of any function of the Governor shall in the absence of proof to the contrary, be deemed to be a valid exercise of that function pursuant to subsection (5).

(7) The Governor and the Deputy Governor shall, while in the service of the Bank, work full time and shall not, while holding their respective offices, occupy or hold any other paid office or employment or engage in any professional or private enterprise activities:

Provided that nothing in this subsection shall prohibit either of them from—

(a) becoming or acting as a Governor, Director or member of the Board of any international bank or monetary authority to which the Government shall have adhered or given support or approval; or

(b) becoming or acting as a Director of any Corporation in Tanzania which the Bank may promote under section 57.

(8) The President may specifically exempt any transactions or activities from the restrictions of subsection (7).

[PCh197s15]15. Remuneration of the Governor, Deputy Governor and members of the Board

(1) The Governor and the Deputy Governor shall be paid and accorded by the Bank such salaries, allowances including retirement allowances as may be determined from time to time by the Board; and the salary, allowances and other terms of service of the

Governor or the Deputy Governor shall not be reduced or otherwise diminished during their term of office.

(2) The Directors of the Bank shall be paid by the Bank such fees and allowances as may be determined from time to time by the Board after consultation with the Minister.

(3) The Bank shall pay the Directors travelling and other out of pocket expenses incurred in carrying out their duties.

[PCh197s16]16. Other officers and staff of the Bank

(1) Subject to the general terms and conditions of service and to the establishment prescribed by the Board, the Governor shall be responsible for the appointment, termination of appointment and discipline of the staff of the Bank.

(2) The powers of the Board to make provisions for the staff of the Bank shall include power to provide for benefits for or in respect of those of its staff who die or retire, and their surviving dependants.

[PCh197s17]17. Secrecy

Except for the purposes of the performance of his functions, or when so required or authorised by the Board, or when so required by law, no member of the Board or of the staff of the Bank shall disclose any information relating to the Bank or to any transaction or customer of the Bank which he has acquired in the course of his duties.

(c) Capital, Reserve and Accounts of the Bank (ss 18-22)

[PCh197s18]18. Authorised capital

(1) The authorised capital of the Bank shall be ten billion shillings and the authorised capital of the Bank may be increased by such amount as shall be determined by the Board by Notice published in the Gazette.

(2) The capital of the Bank shall be subscribed and held only by the United Republic of Tanzania.

(3) The Bank may, having regard to the amount by which the value of the assets of the Bank exceed its liabilities increase its paid up capital by such amount payable out of the General Reserve Fund as the Board shall by Order published in the Gazette direct.

(4) The paid up capital of the Bank shall not be reduced.

[PCh197s19]19. General Reserve Fund and allocation of profits

(1) The Bank shall establish and maintain a General Reserve Fund.

(2) Within three months of the close of each financial year, after allowing for the expenses of operation during that year, and after making provision for any payment charged on the profits by section 20, bad and doubtful debts, depreciation of assets, contributions to staff superannuation funds, carry-over into the next financial year and such other contingencies and accounting provisions as are customarily made by banks—

(a) the Bank shall transfer to the General Reserve Fund twenty five per centum of the net profits until such time that the total capital of the Bank reach a sum equivalent to at least ten per centum of the total assets of the Bank less its assets in gold and foreign currencies, and thereafter the Bank shall transfer not less than five per centum of its net profits to the General Reserve Fund;

(b) the remainder of the net profits of the Bank shall be paid into the Consolidated Fund, subject to the condition that if at the end of any financial year any of the Governments is indebted to the Bank, the Bank shall first apply the remainder of its net profits to the reduction or discharge of the indebtedness; and thereafter the amount as relates to the net profits of the Bank in the relevant financial year shall be paid out of the Consolidated Fund to the Treasury of the Revolutionary Government of Zanzibar in accordance with the formula agreed upon from time to time by the Governments.

(3)(a) Profits or losses from any revaluation of the Bank's net assets or liabilities in gold, foreign exchange or foreign securities or any internationally recognised reserve asset as a result of any change in the par or other value of any currency unit shall be excluded from the computation par or other value computation of the annual profits and losses of the Bank and all such first-mentioned profits or losses shall be transferred to a special account to be called the Revaluation Account.

(b) The loss arising from any revaluation as shall be set off against any credit balance in the Revaluation Account and, notwithstanding any other provision of this Act, if the balance is insufficient to cover the loss, the same shall be charged upon, and paid out of, the Consolidated Fund:

Provided that where in pursuance of the provisions of this subsection, any sum is paid out of the Consolidated Fund, it shall be repaid to the Consolidated Fund out of any subsequent credit balance in the Revaluation Account and such repayment shall be a first charge on the said account.

(c) Any credit balance in the Revaluation Account at the end of each financial year of the Bank shall be applied first to repay sums paid out in terms of the provisions of subsection (2) in such amounts as the Board may prescribe.

[PCh197s20]20. Losses charged on Consolidated Fund

(1) The amount of any net loss of the Bank in excess of the money standing to the credit to the General Reserve Fund of the Bank shall be charged upon, and paid out of the consolidated Fund, without further appropriation than this Act.

(2) Where, in pursuance of subsection (1) of this section, any sum is paid out of the Consolidated Fund, the Bank shall, out of its subsequent profits, repay the same to the Consolidated Fund, and the repayment shall be a first charge on the profits of the Bank.

[PCh197s21]21. Financial year, accounts and audit

(1) The financial year of the Bank shall be the same as the Government's financial year and the accounts of the Bank shall be closed at the end of each financial year.

(2) The Bank shall cause true and full accounts and record to be kept of all its transactions, and the books of accounts and records shall be kept at its head office and shall be open at all times to the inspection of the members of the Board.

(3) Notwithstanding anything contained in the Public Finance Act * the accounts of the Bank shall be audited annually by such auditor as the Board shall appoint.

[PCh197s22]22. Reports

(1) The Bank shall submit to the Minister within three months after the close of each financial year, a report of the Bank's operations throughout the year, together with

the Balance Sheet and the Profit and Loss Account for that year certified by the auditor; and the Minister shall lay a copy of that report before the National Assembly.

(2) After a copy of the report has been submitted to the Minister it shall be published by the Bank.

(3) In addition to the report published by the Bank pursuant to the provisions, of subsection (1) and (2) of this section, the Bank may issue such other publications as it considers to be in the public interest.

(d) Supplementary (ss 23-27)

[PCh197s23]23. Offices and branches

The Bank may establish offices and branches at such places both within and outside Tanzania as it considers necessary.

[PCh197s24]24. Agents and correspondents

The Bank may appoint agents and correspondents both within and outside Tanzania.

[PCh197s25]25. Exemption from certain taxes

(1) The Bank shall be exempt from payment of any taxes, levies or duties in respect of its profits, operations, capital, property or documents or any transaction, deed, agreement or promissory note to which it is a party.

(2) The Bank shall be exempted from the payment of stamp or other duties in respect of notes and coins issued as currency under this Act.

[PCh197s26]26. Companies Act and Companies Decree not to apply

The Companies Act * and the Companies Decree * shall not apply to the Bank, and the Bank shall not be placed in liquidation or wound up except pursuant to and in such manner as may be provided by an Act of Parliament.

[PCh197s27]27. By-laws

The Board may make by-laws for the good order and management of the Bank, but, notwithstanding anything contained in the Interpretation Act * it shall not be necessary for the by-laws to be published in the Gazette.

PART III

CURRENCY (ss 28-34)

(a) Currency and its Issue (ss 28-34)

[PCh197s28]28. Unit of currency

The unit of currency in Tanzania shall be a shilling, each shilling being divided into one hundred cents.

[PCh197s29]29. Sole right to issue bank notes and coins

The Bank shall have the sole right to issue bank notes and coins in and for Tanzania and, the bank notes and coins issued by the Bank shall be the only legal tender in Tanzania.

[PCh197s30]30. Denominations and form of notes and coins

(1) Bank notes and coins issued by the Bank—

(a) shall be in such denominations of the shilling or fractions thereof expressed in cents; and

(b) shall be of such materials, forms and designs, shall bear such inscriptions and devices, and shall have such other characteristics, as the Bank, with the approval of the Minister, shall determine.

(2) The Bank shall give notice in the Gazette of the denominations and other characteristics of the bank notes and coins which it issues.

[PCh197s31]31. Legal tender

(1) Subject to the provisions of this section—

(a) bank notes issued by the Bank shall be legal tender at their face value for the payment of any amount;

(b) coins issued by the Bank shall, if they have not been tampered with, be legal tender at their face value—

(i) in the case of a shilling, or any multiple of a shilling, for the payment of any amount;

(ii) in the case of coins having a face value of fifty cents or below, for the payment of any amount not exceeding ten shillings.

(2) The Bank shall have power, on giving reasonable notice in the Gazette, to call in any notes or coins issued by it on payment, subject to the provisions of section 32 of the face value thereof; and any notes or coins with respect to which a notice shall have been given under this subsection shall, on the expiration of that notice, cease to be legal tender.

(3) Nothing in this section shall be construed as precluding the Bank from making payment for any notes or coins called in accordance with subsection (2) which are delivered to the Bank after they have ceased to be legal tender.

[PCh197s32]32. Lost and damaged currency

(1) No person shall be entitled to recover from the Bank the value of any lost, stolen or imperfect bank note or coin, or of any bank note that has been mutilated, or of any coin that has been tampered with.

(2) The circumstances in which, and the conditions and limitations upon which, the value of any lost, stolen or imperfect notes or coins, mutilated notes or coins which have been tampered with may be refunded as of grace by the Bank and shall be within the absolute discretion of the Bank.

[PCh197s33]33. Tampering with coinage

For the purposes of this Act, a coin shall be deemed to have been tampered with if the coin has been impaired, diminished or lightened otherwise than by fair wear and tear, or has been defaced by stamping, engraving or piercing whether or not it has been thereby diminished or lightened.

[PCh197s34]34. Destruction of coins and notes

The Bank may melt down, break up or deface any coin which has been called in or tampered with and may deface or destroy any bank note which has been called in or mutilated.

PART IV

OTHER OPERATIONS OF THE BANK (ss 35-60)

(a) The Bank as Banker to the Governments and Other Public Authorities (ss 35-40)

[PCh197s35]35. Banker to the Governments

(1) The Bank shall be the banker, and shall act as the fiscal agent of the Government.

(2) The Bank may, subject to such arrangements as may be made with the authority concerned, act as banker and fiscal agent for any public authority.

[PCh197s36]36. Functions as banker and fiscal agent

(1) The Bank, in its capacity as banker and fiscal agent of the Governments or of any public authority, may be the official depository of the Governments or public authority concerned and accept deposits and effect payments for the account of the Governments or public authority:

Provided that the Bank may, after consultation with the Governments or the public authority and the bank concerned, select any other bank to be the official depository of the Governments or the public authority and to—

(a) maintain and operate special official accounts in accordance with arrangements made between the Bank and the Governments or public authority concerned;

(b) act as agent of the Governments for servicing the public debt, including the issuance of, payment of interest on, and the redemption of, bonds and other securities of the Governments;

(c) pay, remit, collect or accept for deposit or custody funds in Tanzania or abroad;

(d) purchase, sell transfer or accept for custody cheques, bills of exchange and other securities;

(e) collect the proceeds, whether principal or interest, resulting from the sale for, or accruing to the interest of, the Governments or public authority of securities or other property;

(f) purchase, sell, transfer or accept for custody gold or foreign exchange.

(2) The Bank shall be entitled to charge for its services as banker or fiscal agent of the Governments at such rates as the Bank shall determine from time to time.

[PCh197s37]37. Direct advances and other short term credit to the Governments, etc.

(1) Subject to the provisions of this section, the Bank may—

(a) make direct advances to the Governments for the purposes of offsetting fluctuations between receipts from the budgeted revenue and payments of the Governments;

(b) purchase, hold and sell Treasury bills issued by the Governments which mature not later than twelve months from the date of issue.

(2) Each advance made to the Governments under this section shall—

(a) be made solely for the purpose of providing temporary accommodation to the Governments and shall, accordingly, be repayable within one hundred and eighty days; and

(b) bear interest at such market rate as shall be determined by the Bank after consultation with the Minister.

(3) The total amount outstanding at any time of advances made and Treasury bills held by the Bank under this section shall not exceed one eighth of the average budgeted revenues of each of Governments as defined in section 39.

[PCh197s38]38. Operation in Government securities, etc.

(1) Subject to the provisions of this section, the Bank may purchase, hold and sell negotiable stocks, bonds or similar debt obligations or other securities issued by the Governments or with the guarantee of the Governments, by a public authority, which mature later than twelve months from the date of issue.

(2) The total amount of securities held by the Bank at any time under subsection (1) of this section shall not exceed the relevant limits set forth in annual monetary and balance of payments targets set forth in the monetary policy statement submitted under section 6 and shall bear interest at such market rate as determined by the Bank.

[PCh197s39]39. Meaning of annual budgeted revenue

(1) For the purposes of section 37 the average budgeted revenues of the Governments shall be the average of the actual collected revenues of the previous three fiscal years.

(2) Collected revenues shall include taxes, levies, duties and fees, profits and income from any investment or undertaking and any contribution to the revenue of the Governments from any political subdivision of the United Republic, excluding loans, grants and other forms of economic aid and all borrowing whether short term or long term.

[PCh197s40]40. Prohibition of other credit to Government, etc.

Except as provided in sections 37 and 38, the Bank shall not extend any credit directly or indirectly to the Governments or any public authority.

(b) Financial Relations with Other Banks (ss 41-44)

[PCh197s41]41. Banker to banks and financial institutions

(1) The Bank may open accounts for, accept deposits from and collect money and other monetary claims for and on account of, banks and financial institutions and may generally act as banker to banks and financial institutions.

(2) Subject to the provisions of this Act, the Bank may provide additional services to banks and financial institutions, including interbank clearings and the provision of safe deposit facilities.

[PCh197s42]42. Rediscounts, etc.

(1) The Bank may on such terms and conditions as it may prescribe, purchase from, sell to and rediscount on behalf of banks, bills of exchange, promissory notes and other credit instruments:

Provided that the instruments bear the endorsement or acceptance of a bank, and mature within one hundred and eighty days from the date of acquisition or rediscount by the Bank.

(2) The Bank shall set limits of access to the rediscount facilities.

[PCh197s43]43. Loans and advances

The Bank may on such terms and conditions as it may prescribe, grant loans and advances to banks and financial institutions for a period not exceeding three months against the collateral of—

- (a) credit instruments satisfying the requirements of section 42;
- (b) Treasury bills satisfying the requirements of section 42;
- (c) Government securities specified by the Bank; and
- (d) other securities specified by the Bank.

For the purposes of this section the word "financial institution" shall include the Deposit Insurance Fund established under section 23 of the Banking and Financial Institutions Act *.

[PCh197s44]44. Bank not to extend credit

(1) Except as provided in sections 42 and 43, the Bank shall not extend credit directly or indirectly to banks and financial institutions.

(2) The Bank shall determine and publish the rates of interest it will charge for rediscounting instruments in accordance with section 42, and for granting loans or advances to banks and financial institutions in accordance with section

(c) Control of Banking (ss 45-49)

[PCh197s45]45. Reserve requirements in respect of banks

(1) Subject to the provisions of this section the Bank may, from time to time, require all banks and financial institutions to maintain minimum cash balances on deposit with the Bank as reserves against the deposit and other liabilities of the banks and financial institutions and the Bank may prescribe the form in which the balances shall be held.

(2) The Bank may prescribe different ratios for different kinds of deposits and other liabilities and may prescribe the methods of computing the amount of the reserves,

which ratios and methods shall apply uniformly to all banks and financial institutions and the Bank may, at its discretion, exclude certain liabilities from this calculation.

(3) Any requirement or increase in the ratios prescribed under this section shall take effect on the expiration of at least thirty days notice to the banks and financial institutions.

(4) The Bank may impose on any bank or financial institution which fails to maintain the minimum balances required under this section a penalty charge of not less than two percentage points at an annual rate above the interest rate prevailing in the most recent ninety one days Treasury bill auction on the amount of the deficiency, and such charge may be recovered by deduction from any balance of, or moneys owing to, the bank or financial institution concerned or as a civil debt.

[PCh197s46]46. Liquid assets ratio

(1) Subject to subsection (2) this section, every bank and every financial institution shall maintain liquid assets at levels prescribed by the Bank from time to time.

(2) The Bank may prescribe the methods of computing the ratio for liquid assets, and may if in the opinion of the Bank it is necessary or desirable to do so, vary the ratio prescribed under subsection (1) or prescribe different ratios for different kinds of deposits or other liabilities:

Provided that any variation of the ratio and any prescription of different ratios shall apply uniformly to all banks and financial institutions and shall take effect on the expiration of thirty days' notice to the banks and financial institutions.

(3) The Bank may impose on any bank or financial institution which fails to maintain the minimum ratio prescribed under this section, a penalty charge of not less than two percentage points at an annual rate above the interest rate prevailing in the most recent ninety one days Treasury bill auction on the amount of the deficiency, and the penalty charge may be recovered by deduction from any balance of or moneys owing to the bank or financial institution concerned, or as a civil debt.

(4) In this section—

(a) "liquid assets" of a bank or financial institution means its cash on hand, balances with the Bank, unencumbered short term securities issued or guaranteed by the Government of the United Republic and such other assets as the Bank may specify; and

(b) "liabilities of a bank or financial institution" means its liabilities in Tanzania other than the paid-up capital reserves, the credit balance in the profit and loss account, advances taken from the Bank, or such other liabilities as the Bank may exclude.

[PCh197s47]47. Information to be furnished to the Bank

(1) Every bank and financial institution shall furnish to the Bank, at such time and in such manner as may be prescribed by the Bank, such information as the Bank may require for the proper discharge of its functions and responsibilities.

(2) The Bank may publish in whole or in part, at such times as it may decide, the information furnished pursuant to subsection (1) of this section, but no information shall be published which would disclose the financial affairs of any customer of a bank or financial institution unless his written consent has first been obtained by the Bank.

(3) The Bank may require every bank and every financial institution to publish its balance sheet in a newspaper of general circulation in Tanzania in such form and at such frequency as the Bank may prescribe.

(4) The Bank may impose on any bank or financial institution which fails to furnish information required under this section, a penalty charge of not less than five hundred thousand shillings per day for every day in which the failure continues and the penalty charge may be recovered by deduction from any balance of or moneys owing to the bank or financial institution concerned or as a civil debt.

[PCh197s48]48. Power of the Bank over banks and financial institutions

(1) Notwithstanding any provision to the contrary contained in any written law, the Bank shall be entitled to access to computers, books, minutes, accounts, cash securities, documents, vouchers and any other things in the possession or custody or under the control of the banks or financial institutions which relate to the business of banks or financial institutions.

(2) The Bank may require banks and financial institutions to produce for examination by a person or persons in the service of the Bank documents and articles stated in subsection (1).

(3) After the conclusion of an examination conducted pursuant to subsection (1) of this section the Bank shall forward a copy of the Bank's report on the examination to the Chairman of the Board of Directors of the bank or financial institution concerned and shall require the said Chairman to cause the Bank's report to be submitted at a meeting of the Board of Directors of the bank or financial institution concerned and thereafter furnish to

the Bank within twenty one days from the date of the report, its comments and details on actions to be taken on the issues raised in the report.

(4) If in the opinion of the Bank an examination conducted pursuant to subsection (1) of this section shows that the business of any bank or financial institution is being conducted in a manner detrimental to the interests of the bank or financial institution or the public interest, the Bank may—

(a) require the bank or financial institution concerned forthwith to take such remedial measures as the Bank may direct, which in the opinion of the Bank are necessary or desirable in the circumstances; or

(b) appoint a person who in the opinion of the Bank is competent to advise the bank or financial institution on the necessary remedial measures, and every advice given by a person so appointed shall have the same force and effect as a requirement of the Bank made under paragraph (a) of this subsection, and for the purposes of this section the advice shall be deemed to be a requirement of the Bank.

(5) Every bank and every financial institution required or deemed to be required to take remedial measures under subsection (3) of this section shall comply with every requirement affecting its business.

[PCh197s49]49. Penalty

(1) Where any bank or financial institution fails to comply with any requirement of section 48 the Bank may impose on the relevant bank or financial institution a penalty charge of not less than five hundred thousand shillings for every day during which non-compliance continues, and that charge may be recovered by deduction from any

balance of, or moneys owing to the bank or financial institution concerned or as a civil debt.

(2) The provisions of this section shall be applicable notwithstanding the provisions of any other law currently in force in Tanzania.

(d) External Reserves, Gold and Foreign Exchange (ss 50-55)

[PCh197s50]50. Exchange rate policy

The Bank shall, subject to the provisions of this Act, determine the exchange rate policy of Tanzania.

[PCh197s51]51. Reserve of external assets

(1) The Bank shall at all times use its best endeavours to maintain a reserve of external assets at a level which is, at least equal to four months imports requirements and the requirements of international transactions of Tanzania for the same period.

(2) Subject to the provisions of subsection (4) of this section, the reserve of external assets shall consist of any or all of the following—

(a) gold;

(b) foreign exchange in the form of—

(i) demand or time deposits with foreign central banks or with the Bank's agents or correspondents abroad;

(ii) documents and instruments customarily used for the making of payments or transfers in international transactions;

(iii) notes or coins;

(c) securities of, or guarantees by, foreign Governments or international institutions and organisations as are referred to in subsection (2) of section 52.

(3) The Bank shall from time to time determine the type and form of foreign exchange and the kinds of securities which may be held in the reserve of external assets pursuant to subsection (2) of this section.

(4) The Bank may include in its reserve of external assets any internationally recognised reserve assets, being a reserve asset not included in subsection (2) of this section, including—

- (a) the reserve position of Tanzania in the International Monetary Fund; and
- (b) holdings and special drawing rights of Tanzania, which the Bank, after consultation with the Monetary Fund considers suitable for inclusion in the reserve.

[PCh197s52]52. Dealing in gold and foreign currencies

(1) Subject to the provisions of this section, the Bank may—

- (a) import, export, buy, sell, hold or otherwise deal in gold;
- (b) acquire and transfer balances in foreign currencies hold such balances with foreign central banks or with the Bank's agents or correspondents abroad, and invest such balances in marketable foreign securities;

(c) acquire, hold and transfer, and effect transactions of any kind in foreign exchange.

(2) The Bank may engage in foreign exchange transactions only with—

- (a) banks;

- (b) the Governments;
- (c) public authority;
- (d) foreign central banks, foreign banks, or foreign financial institutions;
- (e) foreign governments or agencies of foreign governments;
- (f) international financial organisations or institutions;
- (g) any other person whom the Bank may prescribe for the purposes of this section.

(3) The buying and selling rates in transactions authorised by this section shall be in accordance with international agreements to which Tanzania is a party or with which Tanzania is associated.

[PCh197s53]53. Exchange control

The Bank shall exercise such functions in the administration of any law relating to the control of the import, export, purchase, sale or other transaction in foreign exchange and gold as may arise under such law.

[PCh197s54]54. Payments agreements

The Bank shall administer any payments agreement entered into by the Governments.

[PCh197s55]55. Fiscal and depository for Government's transactions with international financial institutions

(1) The Bank shall be the fiscal agent for all the Governments' transactions with international financial organisations or institutions of which the Government of the United Republic is a member.

(2) The Bank shall act as a depository for the Tanzania currency holdings of international financial organisations or institutions of which the Government of the United Republic is a member.

(e) Miscellaneous Powers and Functions (ss 56-59)

[PCh197s56]56. Relations with foreign banks

The Bank may open accounts for, accept deposit from, and collect money and other monetary claims for and on account of, foreign central banks, foreign banks and foreign financial institutions, and may generally act as banker to such banks and institutions.

[PCh197s57]57. Relations with corporations

The Bank may promote and subscribe to, hold, and sell shares or as the case may be, acquire an interest in any corporation established for the purposes of promoting the development of financial markets or of improving the financial machinery and payment systems in Tanzania:

Provided that the total value of the Bank's holding of any shares or interest shall not at any time exceed fifty percent of the aggregate of the Bank's paid up capital and of the General Reserve Fund of the Bank.

[PCh197s58]58. Interest on deposit balances and blocked accounts

The Bank may, if in its opinion, circumstances render it desirable and prudent so to do, pay interest at such rate and subject to such qualifications as it may determine on cash balances deposited with the Bank in accordance with section 45 or on the balances in any amount with the Bank which is a blocked account within the meaning of the Foreign Exchange Regulations *.

[PCh197s59]59. Advice to Governments

(1) The Bank may advise the Governments on any matter relating to its functions, powers and duties under this or any other law and shall advise the Governments when in the Bank's opinion, any such matter is likely to affect the achievement of the principal objectives of the bank as set forth in section 5.

(2) The Governments may require the Bank to give its advice on any matter relating to the functions, powers and duties of the Bank and credit conditions in Tanzania or any proposals, measures or transactions relating thereto, and the Bank shall give its advice accordingly.

(f) Prohibited Operations (s 60)

[PCh197s60]60. Prohibited operations

(1) The Bank shall not—

(a) except as expressly authorised by this Act, engage in trade, or own or acquire any direct interest in any commercial, agricultural, industrial or similar undertaking except in the course of obtaining satisfaction for any debt due to the Bank;

(b) purchase, acquire or lease immovable property for any purpose except as premises for the Bank, including reasonable provision for anticipated future requirements, or for the use of the members of the Board or of the staff of the Bank;

(c) guarantee any loan, advance or investment.

(2) Where, in the case provided in paragraph (a) of subsection (1), the Bank acquires any interest to which that paragraph refers, the Bank shall dispose of the same at the earliest suitable opportunity.

PART V

GENERAL PROVISIONS (ss 61-68)

(a) General (ss 61-66)

[PCh197s61]61. Limitation on external holdings

The Governments shall not hold or maintain any reserve of external assets except to the extent necessary for working balances.

[PCh197s62]62. Prohibited banking names

Except with the written consent of the Bank no bank shall be registered under the provisions of any law in force in Tanzania by a name which includes any of the words "Central", "Government" and "Reserve".

[PCh197s63]63. Banks, etc., deemed to be public service for certain purposes

In the discharge of its functions under this Act and in the administration of any law to which section 53 refers, the Bank, and the members of the Board and of the staff of the

Bank, shall be deemed, for the purposes of the National Security Act *, to be persons holding office in the service of the United Republic.

[PCh197s64]64. Commission for Human Rights and Good Governance to have jurisdiction

In addition to any other persons in respect of whom the Commission for Human Rights and Good Governance has jurisdiction, the Commission for Human Rights and Good Governance shall have jurisdiction to enquire into the conduct in the exercise of their respective offices or authorities, or in abuse thereof, of the members of the Board and the members of the staff of the Bank, and, accordingly, the Bank is specified for the purposes of subsection (4) article 129 of the Constitution of Tanzania *.

[PCh197s65]65. Immunity

Notwithstanding the provisions of any other law, no action or other proceedings shall lie or be instituted against any member of the Board of the Bank, Standing Committee or employee for or in respect of any act or thing done or omitted to be done in good faith in the exercise of the powers conferred by this Act.

[PCh197s66]66. Conflicts

If there is any conflict between this Act and the provisions of the Banking and Financial Institutions Act *, or of any other law relating to any bank or to the business of banking, the provisions of this Act shall prevail.

(b) Repeals and Savings (ss 67-68)

[PCh197s67]67. Repeals Act No. 12 of 1966

[Repeals the Bank of Tanzania Act.]

[PCh197s68]68. Savings Act No. 12 of 1966

Notwithstanding the repeal of the Bank of Tanzania Act –

(a) all regulations, rules, orders, directions or other subsidiary legislation made, given or issued under that Act and which are in force before the effective date shall remain in force after the effective date until they are repealed or replaced by subsidiary legislation made under this Act;

(b) all appointments made under that Act and which have not been revoked immediately before the effective date shall on and after the effective date remain in force until they are revoked or fresh appointments are made under this Act;

(c) all legal proceedings instituted or orders made under that Act shall continue and be deemed to be proceedings or orders made under the provisions of this Act.